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TAXATION IN CHINA ¹

SUMMARY

The present system of taxation archaic, 482. — I. The Land and Grain Tax, 484. — Diversity of weights and measures, 486. — Divergences of taxes from the nominal levies, 489. — II. Customs, 492. — The Imperial Maritime Customs, 494. — Native Customs, 495. — Native Customs administered by Imperial Service, 498. — III. Likin, 499. — IV. The Salt Gabelle, 502. — V. The Grain Tribute, 506. — VI. Miscellaneous taxes, 507. — The finances in 1912, 509.

ONE of the greatest needs of China today is a reasonable system of taxation. That in force is archaic. Not only is there need of reform in the method of levying and collecting the taxes but in the expenditure of the revenue as well. A more accurate system of accounting is desirable. These needs have already received some attention from the Provisional National Assembly, which submitted last January a budget for the year ending in February, 1912. The system of taxation which I shall describe, tho deep-rooted in antiquity, is not likely to continue. It will probably disappear in the struggle now going on, no matter whether monarchy or republic may

¹ The following paper is based upon an examination of the *Ta Ch'ing Hui Tien* or Institutes of the *Ta Ch'ing* Dynasty, the *Chio Chih Ch'uan Han*, the official "Red Book" of China, and the *Tsao Yun Ch'uan Shu* or Complete Book of the Tribute, upon official reports and memorials published in the *Nei Ko Kuan Pao*, the official journal of the Imperial Government and successor to the Peking Gazette, and reports of the Imperial Maritime Customs

The author has also consulted with profit the Journal of the China Branch of the Royal Asiatic Society, particularly that of 1887, containing an article by Professor E H Parker and Carles' translation of Zwehtkoff's report on the Salt Revenue of China, that of 1888 containing Oxenham's report on Land Tenure and the Condition of the Rural Population in China, that of 1892-93 with von Rosthorn's paper on the Salt Administration of Szechuen, and that of 1895-96 with an article by Professor E H. Parker on the Chinese Revenue and another on The Financial Capacity of China.

The author acknowledges valuable assistance also from H B Morse's Trade and Administration of the Chinese Empire, particularly the chapter on Revenue and Expenditure, and also from a pamphlet by Sir George Jamieson on Land Taxation in the Province of Honan

triumph, since both are committed to the adoption of modern methods.

Judged by the total amount of money contributed to the Peking Government, the taxation of China has not been heavy. A revenue of three hundred million taels, or one hundred and ninety-five million dollars, from three hundred million people is insignificant. Even the addition of the estimated revenue of the provinces makes but a total of a little more than six hundred million taels, or about four hundred million dollars.

But it is impossible to discover accurately how much is taken from the people. The viceroys and governors, prefects and magistrates, are bound by old custom to supply a minimum of revenue to their superiors, and this is usually the maximum sent. The taxes are practically farmed out to the official in charge. If he preserves peace and order and remits the usual sum to the treasury, he is not disturbed.

It must be remembered, also, that but a small part of the revenue is expended for the public welfare. There are fifteen hundred walled cities in China, yet none of them have water works except two or three that have introduced them very recently. Street lighting, save by the feeble glimmer of an occasional oil lamp, was unknown outside the foreign settlements until after 1900. The national police system was organized in 1905. Previous to that date night watchmen paid by private subscription were the chief reliance for protection against thieves. There was no system of public education until 1906. Most schools were maintained by private enterprise, tho there was found here and there a charity school supported by some generous individual. The Government confined its efforts to the establishment of a system of examina-

tions. Good roads are undreamed of, except that in a few cities macadamized streets have recently been constructed. In southern towns the streets are too narrow for carriages and are mostly paved with brick and stone. There are beautiful bridges in some parts of China, but the country roads are mere tracks, impassable in wet weather. If taxation has been light, the results which the people have procured in public works are even less.

I. THE LAND AND GRAIN TAX

This has been the chief dependence of the government for revenue from of old. When the Manchus took over the government of China in 1644 A.D., they retained the fiscal system of preceding dynasties but lessened somewhat the rate of taxation.

In 1713 the land tax was definitely fixed for all time at the rate paid that year, and the imperial promise was given that it should not be increased. While this promise may have been literally fulfilled, the actual amount of money taken from the tax-payer has been very greatly increased by manipulation of the exchange between copper and silver and by various charges under other names than "land tax." Justification for the accretions may, perhaps, be found in the great changes that have taken place during two hundred years in the relative values of silver and copper money, in wages, and in land values. Tho the tax may have been originally intended to be proportionate to the value of the land and tho it does vary with the value of the land taxed, it is not as a fact levied upon land values, since the most valuable of all lands, that in the cities, is not taxed at all.

The land tax as levied in 1713 A.D. is a consolidation of the land and the poll tax. All free Chinese

subjects originally owed certain personal service to the state. The old-time *corvée* was commuted for a money payment, and this poll tax has been combined with that on the land.

Much of the land held by the princes is upon military tenure, having been granted to the ancestors of the present proprietors for services rendered at the conquest. These lands are not taxed. Other lands are occupied by military colonists, banner-men, settled in certain frontier districts or in other regions which required the presence of the soldiery for the preservation of peace or the protection of the grain transport. These lands are more lightly taxed than those held under ordinary tenure; but in a number of cases, military service being no longer required of the occupants, the lands have been transferred to the list of ordinary agricultural lands and the taxes increased accordingly.

The land tax (by which, it must always be understood, is meant the tax on ordinary agricultural lands) is of two kinds: a tax in money and a tax in grain. For instance, in Chihli, the metropolitan province, the taxable lands of ordinary Chinese subjects pay per annum from Tls. 0.0081 to Tls. 0.13 for each *mou*, besides rice to the amount of from one *sheng* to one *tou* and beans from 9 *ko* 8 *shao* to 4 *sheng*. This does not include the tribute grain, which will be considered separately.

The weights and measures of China, however, are not uniform throughout the empire. A *mou* is generally a little less than one-sixth of an acre, but, as Morse states¹ it varies from 3,840 square feet to 9,964 square feet. The tribute *tou* contains 629 cubic inches, but as a measure used by the people it varies from 176 to

¹ H. B. Morse, Trade and Administration of the Chinese Empire, p. 174.

1800 cubic inches. By the British treaty, for customs purposes a catty, or *chin*, is taken as equal to $21\frac{1}{3}$ ounces avoirdupois, and a picul by weight varies from 94 catties for brown sugar to 140 catties for tribute rice at Nanking. In 1909, by imperial edict, standard weights and measures were adopted, the *tou* being fixed at 10.355 litres, the *mou* at 6.144 acres, and the catty at 596.816 grams; but this edict has not as yet had any practical effect.

The tax in kind is levied in measures of capacity, but in practice it is collected either by weight or in money and at rates of conversion fixed by the collector.

But the value of the Chinese tael is no less variable than are the weights and measures. It has changed greatly since the period when these taxes were laid. A tael is a Chinese ounce of silver and, whereas the ratio between gold and silver today is perhaps as 35 to 1, in the early part of the eighteenth century it was not more than 15 to 1. The purchasing power of silver money was then much greater, and a tael of silver paid in taxes in 1713 meant far more to the Chinese peasant than the same amount today. On the other hand, it must not be forgotten that the peasant uses few foreign commodities and that the exchange value of silver in gold has had but little effect upon the prices of articles in daily use by him. Copper has always been the money of the people in China and copper has appreciated in recent years as compared with silver, so that the peasant finds it somewhat easier than his grandfather did to buy a tael of silver, while at the same time he receives more copper for his wages.

These facts should be borne in mind, with reference to the figures used in the present paper. The following

equivalents for those employed in the Chinese statutes, tho not rigorously exact, are approximately correct for today:—

- One Tael equals \$0.65
- One Mou equals one-sixth Acre.
- One Picul equals 3.4 Bushels
- One Tou equals 1.36 Pecks.
- One Sheng equals 1.095 Quarts.
- One Catty equals $1\frac{1}{2}$ Pounds (average).
- One Picul (weight) equals $133\frac{1}{2}$ Pounds (average).

The limits of this paper do not permit me to state in detail the various classifications of land in the twenty-two provinces of China and the different rates of taxation. There is no uniformity; each province follows its own customs. I confine myself to citing a very few of the numerous and complicated provisions of the *Ta Ch'ing Hui Tien* relating to the subject.

In Shengking, one of the Manchurian provinces, ordinary agricultural land is taxed from \$0.04 to \$0.12 an acre in money, and in rice from 1.7 pecks to 1.54 bushels. Manchuria is but partially settled, and was of course much less developed two hundred years ago than now. Squatters sometimes settle on government lands, and in such cases rent is seemingly included in the tax, for they are required to pay \$1.90 and 2.9 quarts of rice per acre.

I have already mentioned the rate for Chihli, the province in which Peking is situated. Reduced to western terms the tax varies from \$0.032 to \$0.51 an acre in silver and in grain from 1.09 quarts to 1.36 pecks of rice and from 1.07 quarts to 4.37 quarts of beans. Mulberry orchards are taxed \$0.007 an acre.

In Kiangsu, the province which lies at the mouth of the Yangtze, the tax varies from \$0.035 to \$0.55 an acre in money and in grain from 1.2 pecks to 3.93

bushels of rice or beans, and from .03 pints to .39 pints of wheat or barley. There are certain lands in the province, however, which are rated higher and pay from \$0.35 to \$1.29 an acre with an addition of 4.8 quarts to 5.7 pecks of rice and from .013 to 1.05 pints of wheat or barley.

In Anhui, the next province west of Kiangsu, mulberry orchards are taxed \$0.25 on each pound of raw silk produced. Chekiang, of which Hangchow is the capital, levies a tax on the tea lands at the rate of \$0.001 and .15 pint of rice for each tea shrub.

Salt lands are taxed in various provinces; in Shantung at the rate of from \$0.10 to \$0.17 and 2.7 quarts of wheat or barley together with rice from 1.18 quarts to 2.33 pecks per acre. In Chehkiang the same sort of land is taxed from \$0.06 to \$0.56 an acre in silver and in grain from 2.4 quarts to 3 pecks of rice.

In the province of Kuangtung, of which Canton is the capital, the land tax varies from \$0.03 to \$0.87 an acre and the grain tax from 4.27 quarts to 1.88 pecks of rice per acre. In addition there is a small tax for drainage ditches and a tax of \$0.26 per 100 square feet for irrigation.

In far-away Kansu, on the borders of Turkestan, the land tax ranges from \$0.0008 to \$0.50 an acre, and the grain tax from .2 quart to 6.66 pecks, together with a small amount of hay. The Turcoman tribes in addition pay a household tax of \$0.20 plus an additional quantity of grain.

Taking the whole empire into consideration, we may say that the land tax varies from \$0.004 per acre for the poorest land in Shansi to \$0.99 per acre for the best in Chehkiang, and the grain tax from one gill of rice per acre in certain parts of Fukien to five and a half bushels an acre in some districts of Shansi. The

grain tax is as a rule commuted for a money payment, the rate as laid down in the statute varying from Tls. 0.50 to Tls. 1.20 a picul. We may take Tls. 0.80 a picul as the average price, which amounts to \$0.155 a bushel. This is a very low rate as compared with present or recent market prices. Rice usually sells wholesale at about one dollar a bushel. It has of course been much higher recently owing to extraordinary conditions. It would be a mistake, however, to imagine that the farmer today commutes his grain tax at the low rate mentioned in the statute. I have already called attention to some of the methods employed by the tax collectors to increase the amount due from the peasant without adding to the nominal rate. The tax in money is levied in silver but paid in copper. A tael of silver at Shanghai exchanges today for 1,665 copper cash, and the imperial tael, therefore, should command about 1700 cash. But when the tax collector arrives he will demand much more than the difference between an imperial treasury tael and the local tael. Frequently he demands twice as much as the market rate. In addition he will demand certain fees, such as meltage, expense of collection, and the like, originally irregular, but now legalized by usage.

In the case of the grain tax the opportunities for increasing the amount due are still greater, for not only can the exchange between copper and silver be manipulated in commuting the tax, but the tax is levied in measures of capacity and often collected by weight, and the difference between the imperial and local standards of weights and measures provides an easy method of increasing the revenue. Sir George Jamieson ¹ reports cases that came under his notice

¹ Land Taxation in the Province of Honan

in which the tax in money had been gradually increased by as much as 186 per cent over the original levy and the grain tax by as much as 220 per cent. He estimates an average increase of the land tax throughout the empire by 128 per cent and of the grain tax by 210 per cent. If we accept these estimates and calculate the value of the grain at the wholesale rates for 1910, the land and grain tax paid by the farmer of Manchuria will amount to 1.2 per cent of the value of his first-class land, which Rev. John Ross put at \$75.00 an acre.¹ Taking the lowest rate of taxation for the cheapest land, the tax in Shantung will amount to about one-third of one per cent and in Chihli to 2.2 per cent.

Mr. Morse² intimates that the taxation varies inversely as the distance from Peking; but the figures do not bear this out. The rates for Chihli, Kiangsu, Chehkiang, Fukien, and Kuangtung do not vary greatly, but they are somewhat heavier per acre in the southern provinces. In the provinces just mentioned the lowest rates are, Chihli, \$0.032 per acre;; Kiangsu, \$0.035; Chehkiang, \$0.058; Fukien, \$0.066; Kuangtung, \$0.032. Taking into account the smaller amount of the grain tax in Chehkiang and Fukien, the rate is nearly the same for all.

Allowing for the greater fertility of the lands in the Yangtze Valley and in the other provinces mentioned, and their greater value due to density of population and proximity to the seaboard and water ways, the tax is, of course, proportionally lighter than in Chihli. But on the other hand these provinces contribute to the imperial treasury in ways unknown in Chihli — in silks, porcelain, tea, and other precious articles.

¹ Journal of China Branch of the Royal Asiatic Society, 1887.

² Trade and Administration of the Chinese Empire, p. 92.

The total revenue of the imperial exchequer from the land and grain tax is set down in the *Ta Ch'ing Hui Tien* at Tls. 25,608,605 or \$16,645,593.25, but by the methods of accretion mentioned above this sum has grown to be Tls. 48,101,346 or \$31,265,874.90, according to the budget submitted by the Provisional National Assembly last year.

This, however, is not the sum total of the tax as paid by the farmers. A very large proportion of the levy is retained for provincial and local purposes.

Formerly the amount to be retained was definitely fixed by law for each province. In Chihli, for instance, the provincial authorities were allowed to retain out of the original levy of Tls. 1,708,521.48 an amount equal to Tls. 745,299, and out of the accretions, legalized as a "supplementary tax" and amounting to Tls. 211,856.25, the additional sum of Tls. 102,052. The percentage allowed varies from province to province but does not differ greatly from that for Chihli. Parker, and after him Jamieson and Morse,² have calculated that a much larger sum is spent upon the provincial administration than upon the imperial; and bearing in mind the fact that the total sum levied upon any one province is the minimum expected and that the amount sent rarely exceeds the minimum, it is easily seen that the estimates of the writers mentioned are probably not too large. Morse puts the contribution to the Imperial Treasury from the land and grain tax at Tls. 25,887,000, that to the provincial treasuries at Tls. 67,060,000 and to local uses at Tls. 9,315,000, making a total of Tls. 102,262,000 or in our own currency \$66,470,300. Others, however, estimate the total at not less than Tls. 375,000,000, or \$243,750,000.

¹ Trade and Administration of the Chinese Empire, pp 111-118

In 1904, Sir Robert Hart published a pamphlet in Chinese recommending a readjustment of the land tax. The Government, fearing that agrarian disturbance might result, declined to adopt his recommendations, but they are of interest as showing what could be obtained by a fair system of taxation. He estimated the cultivable land of the empire at more than 666,000,000 acres, which, at a moderate tax of Tls. 0.10 a *mou* or Tls. 0.60 an acre, would yield a revenue of Tls. 400,000,000 or \$260,000,000.

II. CUSTOMS

Another source of imperial revenue of ancient origin is the customs. Duties are collected not only upon imports and exports, but upon goods in transit from one portion of the country to another.

In 1818 A.D., when my edition of the *Ta Ch'ing Hui Tien* was published, there were thirty-three principal stations where such duties were paid, and since that date the number has been considerably increased. Each station extends its control of trade by the establishment of branches at the less important towns in the district under its supervision.

In 1853, during the Taiping Rebellion, the imperial government having lost control of Shanghai, the collection of duties payable by foreign merchants was undertaken as a temporary arrangement by the consuls of Great Britain, France, and the United States, the three foreign powers chiefly interested.

This arrangement did not prove to be entirely satisfactory, and in 1854 a commission representing the three powers was organized for the supervision of the foreign trade of Shanghai. It proved to be so efficient in its management of the customs that complaint was made by Shanghai merchants that they

were at a disadvantage as compared with those in ports where the lax methods of the Chinese officials were employed. In 1858, therefore, the Chinese Government agreed to extend the system of foreign supervision to other ports open to foreign trade. In 1861, the customs at seven such ports were thus administered, but only so far as foreign trade was concerned. This was the beginning of the Imperial Maritime Customs Service, which, with a large staff of Europeans and Americans aided by Chinese subordinates, has become the efficient instrument of the imperial government for the supervision of all trade throughout the empire conducted in vessels of foreign type.

The trade conducted in native craft, as well as the caravan trade, remained until November 11, 1901, under the jurisdiction of the old-time customs service, which, in contradistinction to the newer maritime customs, came to be known among foreigners as the "native customs."

After the so-called "Boxer" uprising, it became necessary to find revenues to pledge as security for the payment of the indemnity; and, the unpledged balance of the maritime customs being insufficient, it was decided among other measures to place the native customs stations located within fifty *li* (sixteen and two-thirds miles) of an open port under the administration of the maritime customs.

The Chinese Customs to-day, therefore, is divided among three services, each having its own field of operations, each employing its own methods and enforcing the collection of duties under a variety of tariffs, — the Imperial Maritime Customs, the Native Customs, and the Native Customs administered by the Imperial Service.

1. *The Imperial Maritime Customs.* In so far as the Imperial Maritime Customs is concerned, the levy of duties is uniform at all ports of the empire. The revenue derived is accurately known, being reported quarterly and annually in English and Chinese in the customs publications, which supply valuable statistics regarding the foreign trade of China, — the only accurate statistics of any kind published by the Chinese government.

The duty on exports is fixed by the tariff of 1858 agreed upon in the Tientsin Treaties with Great Britain, France, and the United States. This tariff is specific, but based upon a levy of 5 per cent ad valorem according to the values of 1858.

The tariff on imports is also specific, and was likewise in 1858 the equivalent of a duty of 5 per cent ad valorem. In 1901, the specific duties were found to have become much less than 5 per cent ad valorem owing to the decline in the gold value of the silver tael, and it was agreed in the protocol of September 7, 1901, that the import tariff should be revised and increased to an effective five per cent. This was done in 1902, and the duties so levied were converted into the specific tariff which is that now in force.

In addition to the export and import duties this service collects also (1) a coast trade duty amounting to one-half of the import or export tariff duty; (2) transit duties on internal trade, amounting to one-half the import or export duty, and levied in commutation of the likin payable at various stations on inland routes of trade; (3) tonnage dues on shipping, and (4) duty and likin on opium.

The receipts derived from these services in 1910 were as follows: —

Import duties,	Tls. 13,022,598.25	equals U. S.	\$8,594,914.85
Export duties,	Tls. 12,980,270.12	“ “	\$8,566,978.28
Coast Trade duties,	Tls. 2,123,797.37	“ “	\$1,401,706.26
Opium duties,	Tls. 1,212,998.72	“ “	\$ 800,579.16
Opium likin,	Tls. 2,839,023.25	“ “	\$1,873,755.34
Tonnage dues,	Tls. 1,329,023.81	“ “	\$ 877,155.71
Transit dues,	Tls. 2,064,167.10	“ “	\$1,362,350.29
<hr/>			
Total	Tls. 35,571,878.62	“ “	\$23,477,439.89

2. *Native Customs.* The tariff enforced by the native customs varies at every station, and in most cases it is antiquated. That of Santuao, when the station was taken over in 1901, dated from 1725 A.D., that at Foochow from 1731, that at Ningpo from 1785, and that at Shanghai from 1786.

In some cases the lists contain articles no longer known in the trade of the port and omit others that have become items of considerable importance. In all cases the original tax is increased by extra levies under a variety of names, such as the meltage fee at various stations, duty on the wrapper or box containing the goods, an equalization fee (*i. e.*, a percentage charged on the sum total of the duty), and other fees. Certain duties are charged in taels but paid in cash at artificial and exorbitant rates of exchange. Three different tariffs were applied at Kiungchow. The system, or lack of system, is further complicated by unusual methods of measurement, by differing weights, and calculation of various duties in different sorts of money. Then there are to be added application fees, boatmens' gratuities, and examiners fees, all of which have become fixed and legitimate charges.

As a rule but a small portion of the collection is sent to the imperial treasury, the greater part being retained to pay armies of superfluous assistants. No better description can be given, perhaps, than that of Mr.

Fred Carey in his report upon the native customs of Santuao, which was taken over by the Imperial Maritime Customs in 1901: ¹ —

The Native Customs revenue is derived from two sources;

- (1) Import and Export duties,
- (2) Fees or dues

The duties are assessed in accordance with a tariff compiled during the reign of Yungcheng, about A.D. 1725, and approved by that Emperor. The duties are low; they average about two and one-half per cent ad valorem, but there are some notable exceptions. For example coarse chinaware (in which is included pottery) pays more than ten per cent ad valorem. The tariff is obsolete and cumbersome. Many goods now met with are not mentioned in it at all, while in other cases the classification is too minute. Thus under silk piece-goods there are more than six hundred subheadings. Dues is the collective term now used to describe a large variety of fees which were formerly levied separately and under various names on junks and their cargoes. Though undoubtedly of irregular origin these charges may be said to have been legalized by time and usage. Some were probably introduced to make up for anomalies or deficiencies in the tariff proper; a few are of the nature of tonnage dues; others seem to have been voluntarily subscribed by traders to purchase partiality of treatment, clearance at night or quick despatch. But there can be no doubt whatever that the majority of the fees were instituted for the purpose of supplementing the official pay of the Native Customs employes, which under the former administration was entirely inadequate. For the same reason what were intended to be temporary or special fees often became fixed and recurring charges. . . .

The various fees were calculated and collected separately. A boat bound for Ningpo with a cargo of salt fish paid six separate fees. In addition there were package and license fees which had to be collected in one or other of nine different ways according to whether the boat carried ten, twenty, thirty or more piculs. . . .

At the time we assumed control of the Native Customs the amount of revenue that had to be remitted by the Tungchung office to the government was fixed at Tls 9,000 per annum. In addition the director paid, it is said, Tls. 2,000 to the provincial authorities as the price of his appointment. The staff numbered nearly six hundred persons, whose salaries ranged from Mex. \$0 50 to Mex. \$5 00 a month. During the first year of our administration, 1901-02, the number of employes was reduced to 96. All monies collected were brought to account and the revenue rose at once

¹ Native Customs Reports, 1902, published by the Imperial Maritime Customs

to Tls. 61,262. Later it was found possible further to reduce the staff, which now consists of seventy employes reasonably paid and comfortably housed.

The condition which existed at Santuao in 1901 still exists where the office remains under Chinese administration.

The revenue derived from the Native Customs previous to 1902 was a pretty constant quantity. A certain minimum amount was expected from a station and this amount was rarely exceeded, the surplus collected being retained for office expenses. The total amount expected from all stations in 1818 was Tls. 4,272,502, — at the present rate of exchange, \$2,777,126. This amount included the original tax and the additional charges that had become legalized. How far it fell short of the total collected can be estimated from the report of Mr. Carey just quoted. If we assume that no more than one-seventh was reported, as in the case of Santuao, the total exacted must have amounted to Tls. 29,000,000. That Santuao was no exception to the general rule is shown by reports from other ports. Tientsin, for instance, in 1900 remitted Tls. 70,000 to Peking, but under foreign supervision this sum in 1906 had grown to be Tls. 1,195,015.76.

Generally speaking the tariff at the time it was fixed represented about three per cent *ad valorem*. In some instances it still remains an *ad valorem* tax at this rate. In most cases it has been converted into a specific charge per piece or per bale or per box.

One of the most important of the native customs stations is that of the Peking Octroi, which is classed with the Imperial Customs since its revenues are appropriated to the imperial household. Originally it collected duties at the city gates only. In recent

years it has extended the circle of its operations so as to cover all lines of trade within the vicinity of the capital, including the railway lines which were providing transit to Mongolia around the city. This office now has thirty branch stations, some of them as far as thirty-five miles from the city gates; and its receipts in 1908, as reported in the Peking Gazette, amounted to Tls. 314,964.47, equal to \$204,726.90.

Now that so many offices of the native customs have been taken over by the Imperial Maritime Customs, the receipts have of course been divided. The collections by those still under Chinese administration are unknown, but their contributions to the imperial exchequer may be set down as not less than Tls. 3,000,000 or \$1,950,000.

3. *The Native Customs administered by the Imperial Maritime Customs Service.* Nineteen principal stations and fifty-seven sub-stations of the Native Customs were taken over by the Imperial Maritime Customs in 1901. But at many of these the control is not complete. In some instances the smaller part of the collections is brought under the cognizance of the foreign officers. At several ports the greater number of branch offices lie outside the fifty-li limit, and are therefore entirely within the control of the old officials. Where the Imperial Maritime Customs has taken charge there is still no uniform tariff enforced, but the old tariffs have been simplified and various fees have been consolidated in one charge. Favoritism and corruption have been checked and the staff of each station has been reduced to a reasonable number and the salaries increased. The collections are more accurately accounted for than in the past, and the revenue therefore has been largely augmented. The total sum collected by these stations in 1909 was Tls. 3,144,335.63, or \$2,043,818.16.

III. LIKIN

Likin stations, which are sometimes confused with those of the native customs and sometimes with those of the octroi offices at the city gates, are distinct from both. They are barriers where duties are collected, sometimes on one article of merchandise, sometimes on all, in transit from one part of the empire to another. This tax is of recent origin, dating from the time of the Taiping Rebellion, 1852-66. The imperial government, being in need of funds for the suppression of the rebellion, levied a tax on merchandise in transit, which, as the word itself indicates, was to be at the rate of one per mille *ad valorem*. The rate soon advanced, however, and the tax, fostered by the usual methods of manipulating exchange and incorporating unauthorized fees, grew so heavy as to become a burden upon trade. When the Taiping Rebellion had been brought to an end its collection had become so well established as to have the authority of "old custom," than which there is nothing more powerful in China. Despite the complaints of foreign and native merchants and the efforts of the diplomatic representatives to get rid of them, the barriers still remain and the duties are still collected.

The rate may be said to average about two and one-half per cent *ad valorem*, but there is no uniformity in the levy. The amounts paid are largely the result of bargain between the merchant and the collector, and inasmuch as there is frequently a choice of routes by which goods may be sent from one district to another, the likin stations not infrequently compete with one another to secure the patronage of a merchant by offering him lower rates than those of the schedule. They are found in greater or lesser numbers in most

of the provinces, but they are especially numerous in the lower Yangtze Valley, and in the provinces of Kuangtung and Kuangsi, in the southern part of the empire. There are five stations on the water route between Shanghai and Soochow, a distance of but eighty miles. Morse mentions ¹ that along the Grand Canal between Hangchow and Chinkiang they are established at distances of about ten miles one from another, every alternate one collecting duties, the others preventing smuggling.

In the British treaty of Nanking (1842), it had been stipulated that merchants should be allowed to clear their goods, whether imports or exports, of all charges by the payment of one sum, which should not exceed a certain per cent of the tariff value of the goods. The treaty was signed, however, without stating what per cent of the tariff value should be paid. Complaints of excessive charges increased until 1858, when the Tientsin treaties provided that the charge should be as nearly as possible two and one-half per cent *ad valorem*, on payment of which the goods should be exempted from all further inland charges whatsoever.

Even this clear statement, however, was not sufficient to prevent the levy of other inland charges, even tho the goods had paid the commutation transit tax and were accompanied by a certificate to that effect. In the eyes of Chinese local officials, anxious to increase their own revenues, the provisions of the treaty referred only to foreign goods while owned by foreign merchants or still in their possession. The Japanese treaty of 1896, therefore, defined the practice still more carefully. The goods were to be exempted by payment of the transit tax from all internal taxes,

¹ Trade and Administration of the Chinese Empire, p. 107

imposts, duties, likin charges, and exactions of every nature and kind whatsoever, no matter what the nationality of the owner or possessor.

Notwithstanding this provision, attempts are continually being made to increase the taxation of foreign goods imported into China and to add to the revenue from Chinese goods exported abroad. In some instances the friction between the foreign merchant and the Chinese official is due to misunderstanding. The production and consumption taxes and the octroi are all older than the likin and are levied for local purposes. The foreigner is apt to regard them all alike as likin. The Chinese officer is equally mistaken in supposing that the transit certificate clears the goods of transit duty only. Nevertheless this was the original intent of the treaties and the later provisions do not, perhaps, take sufficient account of the need of revenue for local uses.

The latest commercial treaties, the British of 1902, and the American of 1903, contain elaborate provisions for the abolition of "likin and all other transit duties throughout the empire," in return for which the United States agrees to allow a surtax in excess of the tariff rates both on imports and on exports. This arrangement is not in force until accepted by all the treaty powers, and up to the present but three nations have consented, Great Britain, Japan, and the United States.

The amount of the revenue derived from likin is unknown, and the actual collection from the people it is still more impossible to discover. The likin offices are entirely independent of the tax collecting agencies and do not publish any reports. Parker, and after him Morse,¹ estimate the total collection,

¹ Trade and Administration of the Chinese Empire, p 110.

exclusive of likin on opium, at Tls. 34,382,260 or \$22,348,469. The likin on foreign opium is collected by the Imperial Maritime Customs at the port of entry. Formerly native opium was taxed at the likin barriers; but in recent years all taxes on the drug have been consolidated into one charge of 115 Kuping Taels for every 100 catties, *i. e.*, \$0.56 a pound. This is collected by a special bureau, and with the gradual suppression of poppy culture throughout the empire the receipts from this source are year by year growing less.

The Provisional National Assembly, in its budget submitted in January, 1911, estimated the total likin revenue at Tls. 44,176,541, or \$28,714,752.

IV. THE SALT GABELLE

One of the most interesting forms of taxation in China, of very high antiquity, dating from the seventh century B.C., is the salt gabelle, commonly called the government salt monopoly. The term is inappropriate, since the government does not engage directly in the manufacture of salt, and, except in Szechuen, does not concern itself directly with its sale. It merely exercises strict control of manufacture, transport, and sale. Salt is manufactured along the coast from sea water, in Shansi and Mongolia from salt lakes, and in Szechuen from deep wells.

For the administration of the salt gabelle the empire is divided into eleven districts. Each district has its army of officials and guards. They prevent illicit manufacture and smuggling; and they see that licensed manufacturers and merchants pay the proper fees and taxes, that they buy and sell at authorized prices and distribute according to regulation within the per-

mitted areas. Each district, however, has its own methods of taxation and administration.

Along the sea-coast the proprietors of the salt lands are taxed on their acreage, as mentioned above in discussing the land tax. In addition a vat license is imposed. The salt is evaporated, by private enterprise but under official supervision, in vats in the sun or in pans over the fire, and is transported under guard to the government depots, where it pays storage until it is sold to licensed merchants at a price fixed by the government. The sales are taxed at a varying rate but generally about Tls. 4 to Tls. 6, *i. e.*, \$2.60 to \$3.90 per *yin*. A *yin* varies from 225 to 600 catties according to locality, *i. e.*, from 169 to 450 pounds.

The licensed merchant has paid a considerable sum for his license. In 1887, E. H. Parker,¹ writing upon this subject, reported the cost for the southern Huai region as having been formerly Tls. 4000 each, *i. e.* \$2600, but as reduced to Tls. 3600 or \$2,340. But certainly the licenses are worth a much larger sum today, for the number allotted to each province is limited, so that a few men control the salt supply of the whole province. Morse estimates that new issues now would command Tls. 10,000 to Tls. 12,000 each, or from \$6500 to \$7800.²

These merchants must take their turn in buying salt and these turns come only about once in two years. The license permits the purchase of a definite amount of salt. In the Hupeh district, according to Morse, this amount is fixed at 3,750 piculs.

The merchant transports the salt under official supervision to the provincial station at which he is allowed to sell, and there storage is paid again until

¹ Journal of China Branch of the Royal Asiatic Society, "Salt Revenue of China."

² Trade and Administration of the Chinese Empire, p 102

it passes into the hands of the retail dealer at a price which is fixed by the government. The retail dealer also must have a license, and he sells to the consumer at a rate which is again determined by the government. These prices have been increased in recent years to cover the increase in taxation. At present in Peking a catty (one and one-third pounds) of salt sells at retail for about \$0.03, that is about \$2.25 for 100 pounds. The original cost of this 100 pounds is estimated as not more than \$0.15. The remaining \$2.10 represents the cost of transportation, taxation, and the profit of the merchant. The total taxation may be set down as about \$1.75 per 100 pounds.

Von Rosthorn, in the *Journal of the China Branch of the Royal Asiatic Society* for 1892-93,¹ gives an interesting account of the salt administration of Szechuen, the westernmost province of China. Salt there is obtained by evaporating brine that is pumped up from deep wells. Other wells supply a natural gas which is used for heating the pans. It appears that various methods of taxation have been tried in Szechuen. The latest, which seems to give more satisfaction than those of earlier times, leaves production and ultimate sale to private enterprise. The government levies a tax on the wells. It also purchases the salt from the producer and transports it to depots for distribution, where it sells to the trade at a profit. In 1882 there were 8,830 salt wells in the province and 10 natural gas wells. 2,371,088 piculs of licensed salt were produced, besides a certain amount known as the surplus salt, which was distributed under special regulations. The revenue derived from the sale of licensed salt was Tls. 2,000,000 per annum. Inasmuch as 15 per cent of the total weight was allowed for

¹ "The Salt Administration of Szechuen"

waste, the salt that paid the tax amounted to but little more than two million piculs, so that we may say the tax in round numbers amounted to Tls. 1.00 a picul, that is \$0.49 per 100 pounds. In addition to this, however, the salt is taxed again in crossing the borders into adjoining provinces. On passing down the Yangtze into Hupeh Province, for instance, it pays altogether 18 cash a catty, or an additional \$0.49 per 100 pounds.

The surplus salt is sold in small quantities, not more than 80 catties to any one person, under strict regulations. It is again subject to a variety of taxation, such as the license fee of about \$10 or \$12 for every 133½ pounds, the duty, *likin*, examination, and other fees.

The actual amounts collected, whether along the coast or inland, are unknown. There are many different scales used and much manipulation of exchange, and there are no accurate statistics of production. In 1800 the output was reported as about twenty million piculs. It is today certainly not less than twenty-five millions, *i. e.*, 3,300,000,000 pounds, which if uniformly taxed at \$1.75 per 100 pounds would yield a revenue of \$57,750,000 per annum. Mr. Morse estimates the total collection from the people at Tls. 81,000,000, *i. e.*, \$52,650,000, of which Tls. 64,000,000, or \$41,600,000, is taxation. The fixed annual remittance to Peking is put down as no more than Tls. 13,000,000. The Provisional National Assembly in its budget for 1911 reckoned salt and tea taxes together as Tls. 47,621,920, *i. e.*, \$30,954,248.

The amount of revenue derivable from this source is of interest to foreign governments, since it is one of the items pledged for the payment of the so-called

"Boxer" indemnity. Since the revolution now in progress has already caused China to default on payments due on the indemnity, it is not improbable that the creditor nations may have to take over the administration of the salt gabelle.

V. THE GRAIN TRIBUTE

Another unusual form of taxation remains to be noticed, the tribute or contribution in kind, a survival from primitive times. The contributions consist of silks, porcelain, tea, wood, copper, and many other articles rare and precious. But the most important is the contribution of grain. This is levied on eight of the provinces. Four of these for half a century or more have been allowed to commute the tax for a money payment.

The grain tribute consists chiefly of rice, but includes also wheat, barley, and beans. It is set aside for the support of the banner-men, who are located as garrisons in various parts of the empire. So long as they are carried on the rolls as in active service they receive pensions in money and in grain. The *Ta Ch'ing Hui Tien* gives the amounts of these pensions, which are graded according to the rank of the individual. An imperial prince of the first order receives Tls. 10,000, or \$6500 per annum, and 20,400 bushels of rice. Common soldiers of the lowest rank receive Tls. 2 to Tls. 4, or \$1.30 to \$2.00 per month, together with a correspondingly small allowance of rice.¹

The grain tribute is levied on the provinces rather than on individuals. Apparently the local authorities distribute the burden among the individual land-owners. The clue to the rates per *mou* is found in

¹ It is estimated that the pensions of the Peking garrison, including the princes, amount to Tls. 7,000,000 per annum, i. e., \$4,550,000

edicts contained in the "Complete Book of the Grain Tribute," which fix the levy upon certain foreshore lands reclaimed from the rivers. In one instance in Anhui the tribute was fixed at .24 *tou* per *mou*, *i. e.*, one-fifth of a peck per acre. In a case quoted by Morse the original levy was .0069 picul per *mou*, in another .00596 picul per *mou*. But in the first case the grain was priced at 6000 cash a picul and in the second at 7000. And in both the levy was increased by various additions, until the tax was twice as great as the original assessment in one case and in the other one and a half times as great; while if we commute the tax at the market rate of the grain, the sum demanded was not less than five or six times the original levy. In keeping with this treatment of the individuals the assessments upon the provinces have been gradually increased by various supplementary charges, such as commutation payments in lieu of matting to enclose the grain, poles, and other wood for the bins and the granaries, cost of transportation, and repairs to the transport boats.

The original assessment was 3,300,000 piculs, which a hundred years ago had already grown to be about 5,300,000 piculs. If we take it to be now not less than 6,000,000 piculs and convert it at 6000 cash a picul (as in one of the cases cited by Mr. Morse) and reduce the cash to taels at a fair rate, we shall find the value of the grain tribute to be not less than Tls. 21,000,000 or \$13,650,000 per annum. Morse himself estimates it at more than Tls. 25,000,000, *i. e.*, \$16,250,000.

VI. MISCELLANEOUS TAXES

One curious source of revenue mentioned in the budget of 1911 is the sale of rank; not patents of nobility, but the right to wear an official button.

By this method it was estimated that Tls. 5,652,333, or \$3,661,016, would be raised in the year mentioned.

The tax on tea varies from province to province, but we may take that of Hupeh as fairly representative. A report of the Commissioner of Customs at Hankow in 1888 stated that the various taxes known there amounted altogether to about Haikuang Tls. 4.27 per picul, including the export duty. The total export of tea of all kinds in 1910 was 1,560,800 piculs. If we assume the average taxation to amount to Haikuang Tls. 4.00 per picul, the revenue from this source would amount to Tls. 6,243,200, or \$4,120,512.¹

Other sources of imperial revenue are the reed tax, which is levied upon the tall reeds grown on government lands and used for basket work and fuel, the fisheries tax, and mining royalties.

For local purposes taxes are levied sometimes upon the houses of a city according to size. Pawn shops and wine shops are licensed. The sale of opium and the permit to smoke it are also licensed. Transfers of real estate must pay a fee for registration amounting generally to 8 per cent of the selling price as recorded in the deed. Recently the last mentioned fees have been devoted to the support of the new school system.

In some cities there is a vehicular tax, ostensibly for the upkeep of the new streets which have been constructed. I have referred already to the octroi, and the production and consumption taxes levied for municipal purposes. These undoubtedly produce considerable revenue, but the amount is unknown.

Owing to the increased demand for funds occasioned by the reforms of the past ten years, new sources of revenue are being continually sought. Several times

¹ This does not of course include the revenue from tea consumed in China, the tax on which will average probably Tls. 1.50 a picul

recently the attempt has been made to introduce a stamp tax, and the stamps indeed have been printed. Commercial documents of all sorts were to be subjected to a light impost. But the opposition encountered has up to the present prevented the enforcement of the decree.

Accepting the estimate of the Provisional Assembly and adding thereto the tea tax and revenues from sale of rank, which are not included in the Assembly's estimate, the miscellaneous taxes may be set down as Tls. 38,059,375, or \$24,738,594.

This inquiry into the fiscal system of China enables one to estimate the total amount of the imperial revenue as follows:—

Land and Grain Tax . . . Tls.	48,000,000	=	\$31,200,000
Imperial Maritime Customs "	36,000,000	=	\$23,400,000
Native Customs adminis- tered by I. M. Customs . . . "	3,100,000	=	\$2,046,000
Native Customs adminis- tered by Chinese . . . "	3,000,000	=	\$1,950,000
Likin "	43,000,000	=	\$27,950,000
Salt Gabelle "	57,000,000	=	\$37,050,000
Grain Tribute "	21,000,000	=	\$13,650,000
Miscellaneous Taxes "	38,000,000	=	\$24,700,000
<hr/>			
Total Tls.	249,100,000	=	\$161,946,000

There should be added the income from imperial property, which is set down in the budget as about Tls. 47,000,000, *i. e.* \$30,550,000, and the proceeds of loans, Tls. 3,560,000, or \$2,314,000, thus making a grand total of Tls. 283,210,000, equivalent to \$184,086,500. The Provisional National Assembly estimates the total at Tls. 301,910,296, and Morse sets it down as Tls. 284,154,000.

The provincial revenues were estimated in 1911 by the Ministry of Finance at Tls. 322,000,000.

It would scarcely be proper to close this survey without some reference to China's ability to meet its foreign obligations. The various foreign loans and the "Boxer" indemnity together total nearly £142,000,000, the charge on which for 1912 will amount to about £9,000,000. If we regard the revenue of China as amounting to £40,000,000, which is about the estimate of the Provincial National Assembly, there will be left but £31,000,000, for all the expenses of the Government, a sum which would seem totally inadequate for such a vast empire.

The Board of Finance estimated the available revenue at £39,513,975, and the necessary expenditure at £45,061,206, thus leaving a deficit of £5,547,231. The Provisional Assembly thereupon increased the estimate of revenue to Tls. 301,910,296, that is about £40,000,000, and cut down the proposed expenditure by Tls. 77,907,292, making them Tls. 298,448,365, thus securing a balance in favor of the Treasury of Tls. 3,461,931, the equivalent of £460,645.

These figures confirm the opinion expressed in the opening sentence of this paper, that one of China's greatest needs at present is a revision of her fiscal system. China is naturally a wealthy empire. Its resources are vast and largely undeveloped and its people are industrious and frugal. There is no good reason why it should not with ease meet every financial obligation. But the vast changes contemplated in the program of reform necessarily call for a great increase in expenditure, and this can only be met by a corresponding readjustment of the finances.

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AMERICAN LEGATION,
PEKING, CHINA.